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THE UNITED STATES-MEXICO BORDER ECONOMIC SITUATION

HEARING

BEFORE THE

SUBCOMMITTEE ON ECONOMIC GOALS AND INTERGOVERNMENTAL POLICY

OF THE

JOINT ECONOMIC COMMITTEE CONGRESS OF THE UNITED STATES

NINETY-EIGHTH CONGRESS

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THE UNITED STATES-MEXICO BORDER ECONOMIC SITUATION

MONDAY, AUGUST 1, 1983

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON ECONOMIC GOALS AND
INTERGOVERNMENTAL POLICY
OF THE JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room SD-562, Dirksen Senate Office Building, Hon. Lloyd Bentsen (vice chairman of the subcommittee) presiding.

Present: Senator Bentsen and Representative Scheuer.

Also present: George R. Tyler, professional staff member.

OPENING STATEMENT OF SENATOR BENTSEN, VICE CHAIRMAN

Senator BENTSEN. This hearing will come to order.

First, I want to welcome you to this hearing on questions of economic concern along the Texas-Mexican border.

That border region in years past witnessed the development of very workable economic relationships between two great countries. It became a worldwide model of harmonious commercial exchange between two neighboring countries.

Both the United States and Mexico benefited from that exchange. The border region, especially in Texas, from Brownsville through McAllen and Laredo to El Paso, became a remarkable engine of growth which served to pull up some of the slower regional areas around it.

That engine was derailed by the peso devaluations in 1982 brought on by falling world oil prices, rising interest rates, and the worldwide recession.

The peso was devalued reportedly by Mexican authorities to boost foreign exchange earnings and help service Mexico's enormous international debt. In conjunction with help from the International Monetary Fund, the United States, and from Mexico's creditors, the peso crisis has abated somewhat. And a lot of credit belongs, I think, to President Miguel de la Madrid.

But, while Mexico caught pneumonia last year, the exposed border region almost had a heart attack. With the peso's purchasing power cut to only one-sixth its former level, the buying power of Mexican nationals along that border just collapsed.

I noticed not long ago when I was in Laredo on a Saturday that you could have fired a cannon down the streets without hitting anyone.

You almost felt like it had to be Sunday, and yet it was a day when in the past you would have found those streets jam packed with Mexican nationals coming across to buy.

The devaluation plunged that border economy into a depression just as the rest of the Nation was beginning to experience some economic recovery. Retail sales fell anywhere from 27 to 79 percent, as the impact of the devaluation swept like a brushfire along that border.

Texas sales tax receipts in hard-hit cities like Laredo fell 44 percent. Unemployment in the valley jumped to 20 percent. That is almost twice the national average. In Starr County, it hit 48 percent. In Eagle Pass, it rose to 25 percent. In Webb County and Laredo, unemployment leaped 75 percent in just 2 months.

The border region bordered on bankruptcy, as U.S. firms from retailing to housing, ran knee-deep in red ink. And many of those businesses remain on the brink of bankruptcy today.

Mexican nationals are also feeling the economic effects. They have been forced to locate alternative and more expensive sources at home for the many goods and services, like medical care, they formerly purchased in the United States.

To deal with the peso devaluation, the State of Texas has mobilized close to $30 million to aid the border communities. But the problem is really international in scope, and the Federal Government took some steps to help, as well. Some of its action, like making emergency credit promptly available to Mexico last year, were certainly applauded. That was the situation where we joined with the IMF and encouraged the establishment of ready credit lines for Mexico.

We joined in by making an early purchase of oil from Mexico, as well, and by giving them some soft credit and early credit on additional grain sales. But other steps, like aid to small businesses through the SBA program, have been criticized as tossing the border economy little more than a concrete life preserver.

The near future of the border economy is difficult to ascertain. The depression there continues. Mexico is making sound progress in resolving its debt situation, yet it is in a recession now, and little hope exists that the peso's buying power will be restored in the immediate future.

What we are trying to do with this hearing is review the impact of the peso devaluations and of Federal actions to ease the ensuing border depression. It will also explore steps which the Federal Government might still take to deal with the economic disaster along our border.

We have a distinguished assembly of witnesses here this morning. We have some people who deal with the social services, with the governing responsibilities, and then we have some financiers who deal with the economic issues in detail.

Judge Pat O'Rourke and Judge Moises Vela are the chief administrative officials, respectively, for El Paso County and for Cameron County, including Brownsville. Sitting with them are Mr. Bob Duffey, chairman of the Texas Commerce Bank in Brownsville, and Mr. Merriman Morton, president of the El Paso National Bank.

I am really pleased you gentlemen could take time from your busy schedules to testify today. What we are going to again try to do here is develop an additional record to see if you can come up with pro-

posals which are economically viable and able to help the border area have a more immediate recovery.

We are not talking really about government handouts. We are talking about steps which can help build a long-term, economically viable base as quickly as we can bring it about.

One of the problems we had was the proposal earlier in the year to cut back on Customs officials. That was a situation where the administration was talking about getting rid of 2,000 people in Customs. That really works at economic cross-purposes because every one of those customs inspectors gains much more in revenue to the Treasury than he could possibly cost.

We have the exact figures and I was able to use that data in the Finance Committee, along with some other people who share the same concern, to stop that layoff. You know what kind of problems you would have had with those layoffs in Brownsville and what kind of problems you would have had in El Paso. I know what Laredo would have been like with longer delays for the importation of Mexican products. We sure do not need any more impediments to that.

Well, gentlemen, I brought you here to hear your suggestions. Let us start with Mr. Duffey.

STATEMENT OF BOB DUFFEY, CHAIRMAN, TEXAS COMMERCE BANK, BROWNSVILLE, TEX.

Mr. DUFFEY. Thank you, Senator. My remarks will focus on the short- and medium-term realities as they appear today in Brownsville.

Before addressing the near term, let me comment on the long term. Brownsville and Cameron County are well-positioned for continued gradual economic recovery, given the lasting values of climate, manpower availability, and, subject to Mexico's recovery, geographic location.

We are optimistic looking 5 and 10 years into the future, the problem will be bridging the gap between 1983 and 1988.

We especially need State and National support for the unemployed and the underemployed. Brownsville suffered a double dose of economic adjustment in 1982 as the United States recession deepened, and the Mexican economy faltered and stalled.

Recovery of the U.S. economy appears to be in motion. Mexico's recovery does not appear a viable prospect in the foreseeable future.

Sales tax figures for Brownsville indicate a substantial decline in retail sales, and I have attached a chart at the end of my remarks. Statistics for South Padre Island, Port Isabel, and other nonborder communities in Cameron County indicate less dramatic devaluation consequences.

Winter tourists and summer vacationers—visitors—are responsible for these differences. Expansion of the vacation factor, winter and summer, in the coming years will be essential to sustained economic recovery and lessened reliance on Mexico.

Current inflation rates in Mexico, if continued, can shorten the recovery through increased trade. It must be understood the "visitor" source cannot approach, in a short timeframe, the bonanza effect of Mexican trade in 1980–81.

Per capita income of $6,102, one of the lowest in the Nation, and per capita retail sales of $6,102 must be considered in recognizing the impact of the Mexican economic collapse on the Brownsville economy.

As a comparison, national average per capita income for 1981 was $10,495 and national average per capita retail sales were $4,571. The one-for-one sales to income ratio for Brownsville was the result of extraordinary sales to Mexican nationals.

Sales and income figures are not available for 1982, but based on random local inquiries, retail sales declined from 40 to 70 percent while per capita income remained relatively stable. It will take a veritable avalanche of visitors from sources other than Mexico to replace what was lost, and that is a highly unlikely prospect.

Another statistic of interest affecting the local economy is construction contracts, down 28 percent January to May 1983 from January to May 1982. Brownsville, against the national trend, has also seen lower dwelling construction in the same period.

Unemployment figures reveal even more interesting comparisons. In May 1983, unemployment in Brownsville was 16.1 percent. I might add that it was 16.8 on June 30, some recent figures that have come out. The May 1982 level was 10.9 percent. In estimated jobs lost from January 1982 to May 1983, the number is 7,000.

These statistics include a part of the Union Carbide plant closing, but do not include a recent Marathon Manufacturing Co. layoff of 100.

In January 1982, the Brownsville, Harlingen, San Benito SMSA had 65,000 employed persons. In January 1983, the number was 58,000. The 58,000 level was reached in 1982 and has been relatively stable since that time.

Significant unemployment losses by category are, May 1982 to May 1983, manufacturing down 24 percent, construction down 25 percent. Retail store employment in Brownsville due to closings and layoffs would easily exceed those figures.

The shutdown of Union Carbide's Brownsville chemical plant this year has added to our economic woes. Carbide had 445 jobs at peak, 90 at present, and expects to be closed by yearend. Carbide was an above average factor in the marketplace because of a relatively higher scale of wages. There have also been 700 employees furloughed at Marathon Manufacturing, an offshore drill platform manufacturer.

Considering the oil industry situation, Marathon layoffs will probably increase by another 500 at yearend. Marathon was Brownsville's No. 1 industrial employer—1,500 jobs at peak.

Marathon employment could be further restricted by congressional action relative to the Interior Department's 5-year OCS leasing schedule.

Import and export business, equipment sales, and new and used car sales are off sharply. In addition, delinquencies in consumer-personnel credit are substantially higher, reflecting the general poor condition of the job market.

Improvement is remote for 1983. Homebuilding is at a virtual standstill, and the inventory of homes for sale is substantial.

Real estate sales in general are depressed, and numerous business locations are vacant. Several commercial strip centers in progress at devaluation are virtually empty. Predictably, the number of foreclosures is up sharply.

A sustained recovery in the U.S. economy will indirectly affect Brownsville business through increased activities at inbond facilities in Matamoros—General Motors, Fisher Price, ITT, Zenith, and so on.

Some 15,000 jobs were provided by inbond plants in Matamoros at peak. Current inbond employment is estimated at 10,000 to 12,000, but increasing rapidly because of the U.S. economic recovery. Matamoros employment and underemployment is estimated at 40 to 50 percent of the work force.

Not only are unemployment and underemployment excessive, but peso earnings for Matamoros customers of Brownsville businesses are approximately one-sixth value in dollars when compared to January 1982. A ratio of one-sixth purchasing power in dollars is consistent for all Mexicans customers, I might add.

The free enterprise system has adjusted and will continue to adjust the local business community. We have seen a substantial number of business terminations, some 200 businesses, if press reports are accurate, and we will see more.

The business community has been forced to adjust to substantially lower sales potential. Commercial rents have been reduced—and I make that comment as a landlord who has made reductions. Expenses have been pared.

Some enterprising businesses have returned to the black in recent months, not to the profit margins of 1980–81, and we may not see those numbers again for many years.

Recent gains must be considered in relation to 40 to 70 percent decreases from 1981 sales figures. There are significantly less businesses sharing a much smaller pie.

Lack of funds for business expansion is not the problem. Brownsville and Cameron County financial institutions have a substantial surplus of funds, mainly capital from Mexico that sought a safe haven in the late 1970's and early 1980's.

It is reasonable to assume these funds are invested for the longer term and are available to meet community financial needs. I have attached a chart at the end of my remarks showing those increases.

In our bank, $280 million in assets, we have almost $100 million available for quality extensions of credit, a scenario not unlike our peers in the marketplace. Placing these funds in quality loans is, however, a distinct challenge. Funding against questionable repayment ability would not be in the best interest of a desire for sustained long-term recovery.

The Harlingen Small Business Administration office has been most helpful in responding to requests for deferment of payments on loans previously extended to area businesses. We have received effective cooperation in restructuring existing credits to a mode more compatible with current repayment ability. The SBA office in Harlingen has made outstanding contributions to the chaotic local economic situation, and they are to be commended.

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On the subject of how Washington can help, the Supreme Court ruled that Brownsville public schools are required to educate illegal aliens living in our area without Federal compensation. We have over 490 of these students in our public school system, one of the poorest in Texas, causing an additional hardship on business and employer taxpayers in the community.

To realize the impact, consider an average class of 25 students and the cost of an average classroom at $45,000, a total of $882,000 for 490 students, and this figure does not include administration or other costs. In addition, we have another 500 quasi-legal aliens in the system.

Resolution in Washington of this problem should have a priority. A financially sound and competent local public school system is essential to sustained recovery.

We also have problems in another important sector of our economy needing Washington consideration—the shrimp industry. Prior to 1979 the local shrimp fleet, the largest in the United States, fished in Mexican waters outside the 12-mile zone during the off-season, December 31 through June. The closing of the Gulf shrimp season to the 200-mile limit by Mexico on December 31, 1979, significantly impacted the Brownsville economy.

Negotiations to license U.S. shrimpboats to fish Mexican waters should be initiated. The Mexican Gulf shrimp supply is abundant at a time when U.S. fishing grounds are not productive. Licensing could be a substantial source of dollar income to Mexico.

The condition of the Mexican Gulf shrimp fleet and the migratory nature and life cycle of shrimp are important considerations for these negotiations. Mexico could use license revenues—fees could be based on tonnage or flat charge—to support domestic producers.

In the area of procedure, a change in Coast Guard policy in the registration of vessels has caused delay and confusion among producers and financial institutions. Prior to February 1982, the Coast Guard maintained an office in Brownsville for the transfer of ownership and mortgage of vessels.

The office first moved to Corpus Christi and subsequently to Houston. As the office has moved further away, service has been greatly reduced. What was once a 1-day process now requires days or sometimes weeks.

The city of Brownsville is also under extreme financial pressure because of the devaluation. You gentlemen recognize that a transfer of the city's financial problems must be directed to a taxpayer base already impacted by the devaluation in their own businesses.

To give some idea of the magnitude of the city's financial dilemma, let me relate a few statistics. Tax collections prior to devaluation were in the area of 90 percent. The original estimate for 1982–83 was a collection factor of 86 percent. That figure has now been reduced to 80 percent.

The dollar figures, if estimates are correct, for 1981–82 taxes collected are $5,076,519; 1982–83 original estimate, $5,888,000; and the 1982–83 revised estimate, $5,343,000.

There is a statutory limit of a 3-percent increase in tax rate—year to year without a public hearing—further limiting the tax revenue source in a period of relative stability in asset valuation growth. In addition, income from sales tax receipts is anticipated at $3.1 million for 1982–83. The original estimate for 1982–83 was $4.8 million.

By comparison, sales tax receipts for 1981–82 were $5,093,000. The net effect is a reduction in estimated sales tax revenue of almost $2 million for the city of Brownsville.

It is imperative special consideration be given to an increase in revenue sharing for devaluation impacted cities such as Brownsville. In addition, special consideration should be given to additional contributions from community development funds. If funds from revenue sharing and communty development can be increased for capital expenditure, housing rehabilitation, welfare-health services, and mass transit support, city funds can be used exclusively for operations and services. The city has cut operating expenditures to the bone and has deferred salary increases in all departments at a time when due to economic circumstances, services—among them police and fire protection—are so direly needed.

The future potential for economic prosperity will likely relate to leisure economics. Substantial changes will be necessary in inventories and methods of doing business.

The transition from a sales to a services economy will be expensive and disruptive. Regardless, it appears recreational and leisure industries offer the best hope for a sustained recovery.

The only real remedies for Brownsville's economic plight are patience and time. We cannot throw money at the situation and expect instant recovery.

We must devise a strategic plan at the local level commensurate with expectations and work hard to achieve reasonable goals in the areas of light industrial development, winter tourist and tourist facility enhancement, and job creation.

Government programs already in place to support these goals need to have your review and attention to insure they best meet the needs of communities along the Mexican border. Your interest is greatly appreciated.

Your support of sustained recovery nationwide will benefit Brownsville. Your support of Mexican economic recovery will also benefit Brownsville. Your recognition of the special problems in border communities and address of their unique needs will benefit not only Brownsville and Cameron County but will enhance the safety and security of our Nation.

Thank you, Senator.

[The charts attached to Mr. Duffey's statement follow:]

(A) SALES TAX

YEAR	BROWNSVILLE	HARLINGEN	SAN BENITO	SOUTH PADRE	PORT ISABEL
1981 TO 1980	+ 31%	+ 22%	+ 18%	+ 61%	+ 43%
1982 TO 1981	- 6%	+ 11%	+ 21%	+ 19%	+ 11%
MAY 1983/JAN.'83 TO MAY 1982/JAN.'82	- 39%	- 6%	+ 8%	+ 24%	+ 15%

(B) DEPOSITS

BANKS	1980	1981	1982	1983 (6/30)
BROWNSVILLE	$ 475,242,248	$ 639,322,500	$ 826,351,768	$ 849,734,002
HARLINGEN	238,756,208	258,682,203	293,665,708	306,967,987
SOUTH PADRE	6,852,797	9,654,073	12,204,403	15,009,828
PORT ISABEL	18,198,593	21,072,158	23,136,392	20,784,422
SAN BENITO	47,851,134	56,932,130	66,914,075	66,745,751
SAVINGS & LOANS VALLEY-WIDE	674,916,348	796,132,186	977,723,434	1,125,872,004

Senator BENTSEN. We will proceed and let each witness give his testimony, before asking questions.

Mr. Morton, if you would now proceed, please.

STATEMENT OF W. MERRIMAN MORTON, PRESIDENT, EL PASO NATIONAL BANK, EL PASO, TEX.

Mr. MORTON. Thank you, Senator. My name is Merriman Morton, I am president of the El Paso National Bank in El Paso, Tex. Additionally, I am a director of the El Paso National Corp., which is a multibank holding company showing seven banks in El Paso.

The El Paso National Corp. is a member of Texas Commerce Bancshares, Inc., the Houston-based multibank holding company with 62 member banks in the State of Texas.

I have been in my present position for approximately 1 year and prior to moving up to El Paso, I was president and chairman of Texas Commerce Bank, Corpus Christi, Tex., where I had lived for 8 years.

The purpose of this brief résumé is to indicate that I have been a resident of south Texas on the United States-Mexican border for the past 9 years and in a position which has caused me to have had transactions and business relationships on both sides of the border.

These have proven to be interesting times, particularly this past year. El Paso and its neighbor city, Juarez, have a combined population of approximately a million and a half people. This forms the largest population center along the United States-Mexican border.

Because of this size, and because of the distance between El Paso and other large Sun Belt cities, the El Paso-Juarez complex is a regional center for commercial activity flowing from both sides of the border.

The year 1982 saw events, primarily on the Mexican side of the border, which have had a dramatic effect on the free flow of this commercial activity.

In February 1982, the peso was trading at an exchange rate of 27 to 1 relative to the U.S. dollar. There followed, in the next 10 months, a series of devaluations and exchange controls which results in the peso now trading at a rate of approximately 148 to 1.

The buying power of the peso relative to the dollar, now being about one-sixth of its previous buying power, has resulted in the flow of commerce from Mexico to the United States to come to a screeching halt.

In El Paso, retail sales in the first half of 1983 are down 19 percent from the first half of 1982. For retail establishments immediately along the river, the decline in sales has been as high as 80 percent and some of these businesses have had to close their doors.

The ripple effect of this on the total El Paso economy is obvious. The El Paso area has no great source of wealth such as oil and gas activity, so that when retail sales are hard hit, for any reason, it causes negative shock to the local economy.

The unemployment rate in El Paso is 12.2 percent versus 8.1 percent for the State of Texas and 10.1 percent for the national average.

Maybe we can consider ourselves fortunate, however, when we look at Laredo, Tex., approximately 400 miles east of El Paso, which had the highest unemployment rate in the Nation, 27.2 percent.

Ironically, another Texas metropolitan area has the lowest unemployment rate in the Nation. The Bryan-College Station, Tex., SMSA, with an unemployment rate of 3.9 percent replaced Austin, Tex., which moved to second place nationally with an unemployment rate of 4 percent.

This dramatic comparison between cities within the same State shows clearly the results that economic problems within Mexico have had on the border economies.

Turning to a less dismal subject, let us focus our attention on a segment of border business activity known as the twin plant operation. This segment of business activity is clearly the strongest positive stimulant currently in the Mexican economy.

The twin plant activity occurs when U.S. companies set up plants near the border in Mexico for assembling and manufacturing a product. Mexico allows duty-free import of the raw materials and the companies post a bond to assure that the products will not be sold in Mexico.

When these products are returned to the United States for distribution, the U.S. Government assesses a duty only on value added. Generally, this consists of labor costs.

In Mexico there are 585 twin plants employing 127,000 workers. Juarez has 129 of these plants which provide 43,000 jobs and an annual payroll of $122 million.

As a result of these twin plants, the border economy of Mexico is the strongest economy within that country. Employees in these plants not only have stable jobs which have caused them to become skilled workers, but they also participate in the employee benefit plans which these U.S. companies provide to their employees worldwide.

With Mexico's economic problems, the jobs that these twin plants provide are probably the most stable in Mexico. The impact on the sister city across the border from the plants in Mexico is very positive.

In El Paso there are 3,500 American workers employed by companies located in Juarez. The annual payroll for these El Paso employees is approximately $37 million. The economic stimulant that this business activity provides to the border economy is obvious and extremely important.

With the economic problems in Mexico receiving high publicity, evidence of a desire for social changes appears to be surfacing.

One example of this occurred in July of this year when Mexico's ruling party, Partido Revolucionario Institucional [PRI] lost mayoral races in 13 northern cities, including Juarez. The opposition victories included 10 for Partido Accion Nacional [PAN], and one each for three leftist parties.

In the past, the Government would not have allowed the opposition to capture the mayors' offices in important cities such as Juarez and Chihuahua. Since the municipal purse strings in Mexico are controlled by State Governors, a key election will be the coming Governor's race in Baja California Norte, where the PRI candidate faces stiff opposition from the PAN candidate.

Foreign observers based in Mexico City said they were surprised by the extensive coverage by the Mexican press of the PRI defeat in the northern cities, calling it tacit acknowledgment by the Government, and the ruling party, that is acceptable to vote for the opposition.

The Mexican economic cycle corresponds with the 6-year term of the Presidency. Normally the first 2 years of the term are spent restructuring the economy and formulating a program. The second 2 years are spent implementing the program, while the final 2 years reap the fruits of the program and fulfill promises and obligations.

Since the President cannot be relected, there is no incentive to plan past his term of office. Government officials at all levels are aware of that fact and tend to delay making any decisions during the last year.

Lopez Portillo had to put the Mexican economy back together after the erratic Echeverria term. Slower economic growth and high inflation were characteristic of the first 2 years. Government spending was reduced as well as the deficit.

Oil became the centerpiece of Lopez Portillo's economic program. Major oil discoveries and substantial increases in production provided the means for large increases in Government spending.

Foreign debt extended from $25 billion in 1977 to more than $80 billion in 1982. With the price of oil jumping to $40 a barrel, Mexico appeared to have the means to pay off its debt.

Conditions began to sour late in 1981. Economic planners of the Lopez Portillo administration did not foresee the decline in oil prices, the high international interest rates, or the consequences of maintaining a fixed exchange rate.

When the peso was devalued in February 1982, things began to unravel quickly. By August, the situation had become a crisis.

Looking for a scapegoat, the President nationalized the banks. Exchange controls were implemented to stop capital flight. A rescheduling agreement with the IMF was reached in late November.

When Lopez Portillo turned over the Presidency to Miguel De La Madrid in December, the boom-bust Presidential cycle was completed. Mexican President Miguel De La Madrid has made public statements addressing the problem of corruption within the Mexican political system, with his intention being to pursue that problem and prosecute violators.

In my opinion, this is an extremely important issue for the Republic of Mexico. With a population that is expressing some unrest and a desire for social and political changes, it is necessary for the new President to establish himself and his administration as trustworthy and in whom the masses can have confidence.

PRI has been the ruling political party since 1929. The July 1983 elections may be looked back upon as being the first indicators of broad social/economic changes which are necessary for economic and political stability.

Although El Paso is affected, as I mentioned earlier, by the peso devaluation, there are positive signs indicating that the worst may be behind us. In fact, there is a slight feeling of optimism as the El Paso businessman assesses his situation today relative to the previous 9 months. Building permits are up 40 percent through April 1983 as compared to the first 4 months of 1982.

Interest rates are lower. The banks' prime rate is 10.5 percent today as compared to 16.5 percent 1 year ago; 1983 bank deposits are up 20 percent over corresponding periods of 1982. The decline in retail sales appears to have reached its low point and some predictions are that 1983 will show retail sales to have increased slightly over 1982.

Fort Bliss, the largest Army installation in the world, employs 30,000 military and civilian personnel. With the Reagan administration emphasis on defense spending, it appears that the strong and positive impact that Fort Bliss has on El Paso will continue.

From a political standpoint, El Paso has an extremely strong probusiness mayor. Jonathan Rogers, now serving his second term as mayor of El Paso, has stimulated and encouraged the El Paso City Council, the Chamber of Commerce, and the Industrial Development Commission to present El Paso on a positive basis as new industries are considering relocating or establishing a plant in El Paso. Financing is available for established businesses and for prospective new industrial from El Paso banking institutions.

Four major Texas bank holding companies have, in recent years, merged with existing El Paso banks and have the ability and the desire to finance any size project which El Paso may attract.

Recommendations for improved or additional assistance from the Joint Economic Committee. Senator Bentsen, my first recommenda-

tion here is to create a district office of the SBA in El Paso. I sent this information to Washington last week, and I read in the paper last week that that had been done. Let me say thank you for that.

Second, realize the importance of the twin plant operation to the border economy on both sides of the river. The twin plant operation is, in my opinion, one of the most critical business stimulants that we can create. As incentives are discussed for these industries, a receptive and constructive attitude at this committee level could result in additional industries entering this program.

Third, newly elected Mexican leaders have taken difficult economic and social steps in an attempt to correct economic and social problems. Encouragement, communication, and suggestions for direction could be meaningful to these leaders.

Fourth, lowered college costs for Mexican students to attend border-State colleges. In the recent past, there have been programs to offer Mexican students incentives to attend border-State colleges. Because of the devaluation of the peso, the actual cost now does not offer incentives for them to attend our colleges. A long-range program which could offer benefits to these well-educated Mexican students as they return to Mexico and enter the labor force would be to offer incentives to them to attend U.S. colleges.

Fifth, realize the importance of the proposed Zaragosa Bridge on the flow of traffic across the border. Senator Bentsen, I would like to personally express my appreciation to you for your assistance in moving this project toward reality. There are now two major bridges between El Paso and Juarez, and traffic is extremely congested, thus deterring a free flow of exchange. A third bridge, the Zaragosa Bridge, has been planned and is moving toward becoming a reality.

Gentlemen, I have enjoyed presenting these ideas to you. Thank you very much for allowing me the opportunity to visit with you.

Senator BENTSEN. Thank you.

We are delighted to have Congressman James Scheuer, a distinguished Member of the House and a member of this committee with us today. I must say to you that Monday morning is a tough time to get members here who have been back to their districts attending to responsibilities there. And I would like to ask him for any comment he might have at this time.

Representative SCHEUER. I have enjoyed the testimony very much. And I look forward to listening to the last two witnesses. When all of the four witnesses have completed their testimony, I am going to ask them if they feel that the worsening of conditions along the Mexican-American border has had an impact on the flow of undocumented aliens or illegal immigrants across that border, however you wish to describe them. That is, of course, a problem not only to Senator Bentsen who represents Texas and who grew up within 5 miles of the border, but also to New York City, where we have a great many of those illegal immigrants, and the State of California and elsewhere in our country.

So we are very much concerned about that problem. And, I will ask you what the effect of these harsh economic circumstances you are describing may be having on that flow.

Senator BENTSEN. Thank you very much, Congressman.

Judge Pat O'Rourke, we are very pleased to have you here. Having once upon a time been a county judge, I know how close that position is to the people and how their concerns immediately react on your consciousness and your responsibilities.

Please go ahead with your testimony.

STATEMENT OF HON. PAT F. O'ROURKE, COUNTY JUDGE, EL PASO COUNTY, TEX.

Judge O'ROURKE. Senator Bentsen, Congressman Scheuer, members of the committee, I am Pat F. O'Rourke, county judge of El Paso County, Tex. My children are fourth-generation El Pasoans, and it is with great pride that I state that my family has been in the El Paso Valley since the turn of the century, the railroad having brought my Irish grandfather to the Southwest.

I am a product of local public schools and the University of Texas at El Paso, an industrial engineer by education, a real estate broker by occupation, and an El Pasoan by choice. As the introduction to C. L. Sonnichensen's book, "Pass of the North," notes, 4 centuries have gone by since Alvar Nunez Cabeza de Vaca crossed the Rio Grande within sight of Mt. Franklin. The year was 1536, some 447 years ago. El Paso, the city is now 402 years old.

During those 447 years, the Western Hemisphere changed politically, the United States was born, Canada gained freedom, Mexico gained freedom, Texas gained freedom, Texas and the Union joined, Civil War and world wars occurred. Still, El Paso retained its geopolitical importance as the pass of the North and grew to be the point of the single largest concentration of people on the U.S. southern border.

As was noted, Sunday, July 24, on the ABC Weekend program by Sam Donaldson and U.S. Senator Dodd, if one subscribes to the domino theory in Central America, that domino chain ends at El Paso. And as Senator Dodd contended, one's security depends on the strongest domino. In El Paso's view, and I would hope the Nation's, that the strongest domino is and must be Mexico.

On July 3, 1983, a change as significant as any in the past 54 years took place, the change being the election of the Partido Accion Nacional, PAN, to a significant number of key northern Mexican state and municipal positions.

If I may, one must understand the general historical role of the political participants in Mexico, the PRI, Partido Revolucionario Institucional, is traditionally a one-party government, utilizing total control on patronage, government contracts, and key appointments, not to mention the dispensing of Federal moneys on a regional basis to maintain its power.

PAN, traditionally, played the role of accepted government opposition. The PAN is made up of much of the key middle class, the financial community, in good part, the conservatives, and now, but unofficially, the Catholic Church, plus the most recently dashed hopes of the new and growing young Mexican population, PSUM, the Partido Socialista Unificado de Mexico. It is a coalition of the 1930-origin Communist Party and other much more radical and left-leaning groups. The PSUM has not seen much growth until recently, even in terms of the July 3 election.

It is significant to advance the theory that the election demonstrated a significant voicing of displeasure by the rank-and-file, joined by the middle class at the ever-worsening Mexican economy and the need for change.

The PAN campaign was an American-style campaign. It showed a turn to the right. But do not be misled, for if the change does not prove a positive move, the next swing could just as easily be to the left. And the PSUM Party is aware of this, and acting.

But being positive ourselves, we must gage our reactions and stay out of the Mexican political process, yet at the same time help to support the country as it develops a healthy two-party system. Let us assist Mexico with its financial, social, and developmental problems, and let us develop our common border for the betterment of the people, of the people of the Americas. Some of the steps are simple, some more difficult.

First, some facts. El Paso and Juarez have a combined population of 1,500,000 or more, growing rapidly. El Paso and Juarez have combined border crossings of 60 million plus persons per year. The Mexican peso is valued at approximately 150 to $1 American. The exchange rate 10 months ago was 27 to $1 American.

El Paso and Juarez are still in deep, deep recession. El Paso is ranked 299th out of 305 metropolitan areas for per-person incomes by the U.S. Commerce Department. El Paso is ranked 283d out of 303 cities in annual pay by the U.S. Department of Labor and Standards. Some 26,000 people, 13 percent of the work force of 200,000, are collecting unemployment benefits.

More than 20,000 of the 140,806 households in El Paso County earn less than the minimum wage of $6,968 annually, according to the 1980 U.S. Census. Also, another 14,160 families earn from $5,000 to $7,499.

What would be done to better the situation? The simple steps would consist of spending less than $500,000 annually to open existing lanes of traffic on the current El Paso-Juarez international bridges to continue to speed up movement on the vital Zaragosa bridge project, a project which without the tremendous assistance of Senator Lloyd Bentsen would not have progressed this far.

Continue to assist the movement of commerce and credit in Mexico; continue to develop the twin-plant program, which now creates 40,000 jobs in Juarez, the income which in large part is spent in the El Paso retail economy.

As we are a capital-poor community, assist and be creative in legislation that attempts to address the capital formation problem. Consider a form of impact aid for El Paso and the border. Our hospitals, criminal justice system, and our very base tax income is being penalized millions of dollars to carry the burden of the combined population of El Paso and Juarez.

A more difficult task is that of the Mexican border economy. So goes Mexico, so go the American border communities. Strive to develop ways in which aid flowing into Mexico City finds its way back to the border area, especially now with PRI in the Mexican capital and PAN in control in much of the northern border region. Develop dialog as to allow American investment of capital in the border area, a unique problem.

Assist the development of jobs in Mexico. Mexicans have one of the strongest work ethics known. Allow those illegal aliens who potentially hold American jobs to return to jobs and their families in Mexico by assisting in the aggregate development of those jobs.

In final reference to your direction to address the period from January 1983 until the present, the situation as to the El Paso economy is still bleak. Unemployment is up. The tax base is not growing. Sales tax revenue is dropping, and the part of the business community most dependent on the health of the Mexican economy is still in the deep, deep depression-appearing recession.

The majority of Federal action to address the border economy has yet to show positive results. The exceptions to this statement quite remarkably are, first, the national jobs bill moneys, which although small, have significant impact on our jobs problem. This is, in part, due to wise distribution of funds by Texas Governor Mark White's staff, and second, the tremendous support of Senator Lloyd Bentsen and his staff to assist the El Paso area.

One further note, with the announcement of the opening of 94 U.S. amnesty station, watch Juarez and other Mexican border cities' population increase and prepare to accept even more illegal aliens or create jobs in Mexico.

Gentlemen, I am honored by your invitation to appear today. If I may answer any questions either now or later, I would be happy to do so. Thank you.

Senator BENTSEN. That is an interesting statement and will certainly provoke some questions. We will get to them in a minute.

Judge Moises Vela is our last witness. He is an old friend of mine, county judge of Cameron County, and one who has more than his share of concerns for the economic plight of the constituency he represents.

STATEMENT OF HON. MOISES V. VELA, COUNTY JUDGE, CAMERON COUNTY, BROWNSVILLE, TEX.

Judge VELA. Thank you. It is an honor to be here.

Congressman Scheuer, I want to thank you for being here. The gentlemen at the table, it is an honor to be here with you also. And, ladies and gentlemen, thank you very much for being here.

I believe I have too long of a prepared statement, Senator, so I will highlight it and go over some of the points I want to address to you, sir, and I will welcome any questions.

First of all, I must explain to you where Brownsville and Cameron County lie to the people here who have not had the privilege of going to south Texas. Brownsville is the county seat, a beautiful town, where Mr. Duffey practices banking. My county seat is where I practice politics.

The last paradise in the United States is South Padre Island. I think that is well known all over the country, and I want to invite anybody here to go down there and enjoy some of our sunshine.

It also happens that Cameron County is the gateway to the United States of America from the East, from Central America, South America, America, and from Mexico. So all of a sudden, because of all

the turmoil we have in Central America and South America and Mexico, it becomes critical to this country's welfare and defense.

Cameron County is the closest route into the United States from most of Mexico, definitely the closest route, as the crow flies, from Central and South America.

Why is this important? Because we have a terrible, terrible illegal alien problem in south Texas, and it is getting greater with the influx of people coming from those countries—Guatemala, Nicaragua, and El Salvador. And usually, for a man that handles illegal aliens and brings them from the other countries into the United States, his theory is to get into this country as rapidly as he can from outside.

So the entrance, obviously, would be south Texas. If it is not my county, it is upstate a little ways. I do not know how we compare with parts of California, but we have a tremendous problem with illegal aliens.

Cameron County, during the Second World War, had some military installations. We had an air base at Harlingen that trained gunnery and navigators. We have an auxiliary naval station that is now owned by the county. We have a Coast Guard station on South Padre Island as well as in Brownsville.

I point out the history, Senator Bentsen and Representative Scheuer, because of the immediate military problem we have to the south. It would be a boon to our county if that base necessarily were to be opened.

As you well know, Senator, the people in Cameron County are industrious, hardworking, decent human beings.

The situation on the border is critical, as some of the people up here have said. The recession has hit us hard. Unemployment in Cameron County is around 17 percent.

We have been hit, in addition to unemployment and all the other problems, with some weather dilemmas that we have never suffered before. We have been hit with two tornadoes and a flood, and from June to September of each year we are on a constant hurricane alert and hurricane watch, and people pray that hurricanes go off to Cuba or some other place.

The peso devaluation has hit us right between the eyes, and in my opinion has not changed one bit since January of 1983. If anything, I think it is getting worse.

To tell you the truth, things are so bad that we are really contemplating selling bottled sunshine to the rest of the country because we have an overabundance of that.

In the interest of making some recommendations to you gentlemen, may I speak briefly to you on what we do for a living in Cameron County?

First of all, Cameron County is composed of about 900 square miles. We have approximately 225,000 population in the county. Combined with Matamoros' population, which is across the border, it is more than half a million, and it is expected to go to a million, and we are expected to go to half a million or more, by the year 2000.

We rely and have relied in the past very heavily on Mexican tourism, but we also rely on American tourism. During the winter months, we have an influx of elderly people, retired people from some of the

winter States that come to south Texas for 4 or 5 months. It is a big industry, and unfortunately that has not been affected too greatly by the recession or the peso devaluation.

We also have agriculture. We raise a lot of cotton, sorghum, citrus, vegetables, and sugar. We have some cattle business. We have a substantial amount of light industry, a little bit of medium and heavy industry.

We had an enormous international trade on the border from people in the interior of Mexico, from Monterrey and as far away as Mexico City, coming to south Texas to shop. During the heyday of people bringing money in from Mexico into the United States, many, many Mexican citizens purchased property on South Padre Island and other parts of south Texas in our county.

Right now those people are in a holding pattern, those that have not finished paying. Right now we have a lot of real estate available at cheap prices. We could have lost the properties from Mexico, but we do not have the money to buy it. So we have a dilemma.

Another part of our trade or business is shrimping. It used to be a heavy business in south Texas.

Finally, we do have a deep water port in Brownsville that did rely heavily on trade from Mexico.

As Mr. Duffey has told you, there has been a decline in gross sales from retail stores of more than $136 million in Brownsville alone. More than 200 businesses have gone out of commission, and more are going, and if you take an average of from 5 to 15 people employed by each place, the number of people that are affected that are related to the people that work in these establishments, you are talking about many, many people affected by this.

Real estate has been pounded into the ground in some of our areas.

And, finally, indigent medical care, which has not been touched upon by the other speakers, is a big factor in our county.

Let me touch base with you on the illegal alien problem, as I see it, and how it affects us. It affects Cameron County and probably the rest of the State, primarily on the border, in many ways.

First of all, it hits us in our school system, as has been touched upon here previously. Many, many hundreds of children are affected.

Then we touch on indigent care, indigent care in our county. The previous budget, the commissioners court set aside a quarter of a million dollars for indigent care. Of course, we are talking about indigent care payments by the county. We are not talking about the actual amount of indigent care in the county. Indigent care can run as high as $2 million a year.

In most cases, the hospitals take in that cut, but we have to pay. We are looking to raise our indigent care from half a million to a million dollars in the coming budget.

Why do I comment on the fact that illegal aliens have something to do with this? Because more than half of the people involved in indigent care are illegal aliens, and the sad part about it is that because they are undercover they wait until they are critically sick before they come forward. Then it costs a heck of a lot more to treat them.

It affects our jails. Our crime ratio is affected. Obviously, it affects labor and jobs. The nonskilled jobs were taken by illegal aliens. Whether we want to face that fact or not, that is a fact.

The international bridges and expansion of bridges, let me comment on that a few minutes later.

What is the effect of the U.S. Government's aid to this area at the present time? I concur with the other speakers that the SBA has helped some businessmen, but for that businessman that has folded already or the one that is in the process of folding, I have recommended some type of a moratorium on their loans, if possible.

Direct loans from the SBA at the present time is folly, gentlemen. They are not going to recover at this time. If they relied 99.99 percent on the business from Mexico, it is gone. Until Mexico gets on its feet, the people from Mexico are not going to come across the border to shop. So that is where their income came from. That is a different thing.

As to my recommendations to you, in closing, I have got about 10 of them. Senator Bentsen and Representative Scheuer. Bear with me.

First of all, I am firmly convinced that this country has to pass the Simpson-Mazzoli bill or one similar to it. I know some of my colleagues in Texas speak highly against it because they feel that people like myself, a Mexican-American, or other Mexican-Americans are going to be discriminated upon when they are stopped on the road and asked "Are you an American citizen?"

That, I think, is a good thought. I think it is a basic premise, but I think that can be remedied by some type of immigration theory or practice to where everybody is stopped and asked. But you have to start someplace. We have to stop the influx of people from other countries, and we have to legalize the people that are here. One way or the other, I think that would be a starting place.

Second, I think this country is turning to job training. The Job Training Partnership Act is going to be in the long run a very important factor in this country. I think it is time for this country to stand up and quit doling money out. In this program you are training the worker even though you have to find a job for the guy, but we are at least headed in the right direction. The money is being well spent.

I concur with my colleague here from El Paso about the loans to U.S. businessmen and Mexico in the twin-plant concept. I think that is extremely important to us. I notice in his report that you have 127 out of 129. The other two are in Matamoros and very successful. The Brownsville counterpart of that business is defunct, but the Matamoros business is open and going strong.

Where does it create help? Well, it creates jobs for people in Mexico, who have money to come across the border to spend. So it is a very, very good concept.

I will repeat to you, if it is possible for you to, in the future, use the Bellevue Naval Auxiliary Station. It has the 17th longest runway in the United States of America. It is sitting there idle. Cameron County would be happy to give it back to the Government if you could reopen it.

I was young back in the Depression. I was born in 1930. My forefathers came to Cameron County back in 1863. So we have been around here a long time. I was not very old during the CCC times and the WPA.

My father worked for the WPA. It was a good organization. The CCC had some merit. I would like the country to study these possibilities to create jobs for people here.

I think also that a committee should be appointed to study the condition of Mexico at the present time and any plans that we have to spend money in Mexico. I think there are ways that American businessmen can be convinced to invest money in Mexico, guaranteed by the Federal Government. It would be better than giving outright gifts or grants to the Mexican Government to establish factories, to establish jobs, to keep people in Mexico from coming over here.

New bridges. We desperately need expansions and new bridges in Cameron County and south Texas.

Needless to say, what the Senator was talking about awhile ago, about the eliminating of the 2,000 customs officers in Brownsville and Matamoros. People like myself—I do not know if Mr. Duffey goes across the border very often to shop, but I do not go because there is a long line and you have to wait sometimes an hour, an hour and a half, or 2 hours to get across the border, back this way. So we are not encouraged to go across to spend money, to create a better condition for the people in Mexico, who can spend their money here.

By that fact, we need expansion of existing bridges and new bridges, and hopefully, gentlemen, we will never see the day we will need bridges down there for military purposes.

As far as the shrimping industry is concerned—Mr. Duffey touched on that—there is not any question but that we need to have some agreement with the Mexican Government whereby American shrimpers can go into Mexican waters and harvest the shrimp. Whether they take it to—the twin-plant concepts—to Tampico or other port cities, to Matamoros, that shrimp goes away because they do not have the shrimpboats to harvest it. After 1 year the shrimp dies. So it is going to waste. There is an enormous amount of money involved there.

Finally, I, like you, gentlemen, sincerely hope that the Mexican Government is on the way to eliminating graft and corruption in their government.

Thank you very much. I will welcome any questions.

[The prepared statement of Judge Vela, together with the attached exhibits, follows:]

PREPARED STATEMENT OF HON. MOISES V. VELA

Despite of the depressing conditions of the county, Cameron County is without a doubt the last paradise in Texas. Located on the southern tip of Texas, bordering the Gulf of Mexico and the Rio Grande River, Cameron County encompasses almost 900 square miles of land. The results of the 1980 census data show the county with a total population of 208,727, an increase of nearly 50% over the 1970 population and possibly as many as 225,000 by the date of this report.

Because of our proximity to the Gulf of Mexico and the Mexican Border, Cameron County enjoys a prosperous tourist industry. In 1979, the county had a tourist population totaling 62,889 from different American states. In addition, a recent study showed that an estimated 22 million visitors cross the Gateway International Bridge annually, indicating a sizeable Mexican tourist population. This has declined. See exhibits #1 and #2.

Not surprisingly, the most notable industry in Cameron County is trade, both wholesale and retail. Among the areas leading businesses include fruit, vegetable and seafood processing, fishing and shrimping and shipping, manufacturing and normal border retail business. Farming is still a leading occupation.

Our county is one of the leading counties in the state in total farm income, amounting to over $85 million annually, with cotton, sorghum, citrus, vegetables and sugar cane being the major crops as well as some livestock and poultry.

However, despite promising growth indicators and a strong tourist industry, Cameron County ranks among the poorest in the state. According to a U.S. Department of Commerce report released in 1980, the Brownsville, Harlingen

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San Benito SMSA (standard metropolitan statistical area) was the third poorest nationwide in terms of per capita income. With the devastating effect the recent peso devaluation has had on the economy in Cameron County, an immediate recovery is not likely. The most recent figures from the Texas Employment Commission show that the total labor force is 84,700; the unemployment 13,600. That translates to an unemployment rate of 16.1 percent, which is a small drop from January's 17.7 percent unemployment figures. This decline is not significant enough in my opinion to indicate a positive upturn in our economy.

Assessing our unemployment problems in a nutshell is not a difficult task; there are simply not enough jobs in the county to go around. The current economic state of affairs in the Republic of Mexico has severely affected businesses along the U.S.-Mexico border. Among those hardest hit are retail trade, catering to Mexican shoppers. A recent report from the Brownsville Chamber of Commerce Merchants Committee exhibits that in the period from October, 1982, to April, 1983, the City of Brownsville had a decline in retail sales of $136,000,000 dollars. Over 200 businesses have closed their doors, with many others teetering on the brink of financial disaster.

Not surprisingly, the ripple effect of declining sales has become very evident. Deteriorating business spells out: employee layoffs, salary cutbacks, reduction of employee hours, which translates to less purchasing power. One needs only to look at the tremendous decline in sales tax revenues for the City of Brownsville to fully understand the severity of our problem. While recent figures from the State Comptroller's office show that all major cities in the state enjoyed an increase in sales tax revenues, that

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is not the case in the border cities of the Valley. Although Brownsville officials were optimistic over sales tax results from June which were up 18 per cent, this month's payment from the state comptroller indicates the rise was a fluke.

The latest receipts for July indicate a 39 percent tumble over last year's payment. If estimated revenues for the rest of the year hold true, Brownsville City Commissioners will be facing a $4.5 million dollar shortfall in revenues in its 1983-84 budget.

Another industry that has been unable to escape the devastating effect of the peso devaluation is real estate. Real estate sales are down approximately 63 percent from last year. While building and construction continue to flourish on South Padre Island, the rest of county is saturated with homes for sale and rent. In some cases sale prices have dropped as much as $25,000 due to the inability of the Mexican national to meet his mortgage payments. Currently, there are an estimated 5,000 parcels of property for sale in Cameron County. Without a doubt, Valley residents are enjoying a buyer's market in real estate, but unfortunately very few individuals are in a position to purchase anything. Although declining interest rates have helped stimulate the market, they have not been significant enough to alleviate the problem.

Medical care has always been a problem in the Rio Grande Valley and our current economic problems have done nothing to improve the quality of care. Because of the great amount of poverty that exists in South Texas, the cost of providing indigent health care has spiraled enormously. Because of high unemployment, many individuals have been left without any type of medical or hospitalization insurance. While Cameron County budgeted $250,00 for

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indigent health care this year, local hospitals have provided us with bills totaling $2 million for indigent patients. Hospital administrators have reached a point where they are literally shutting the doors on indigent patients.

In order to properly address the present U.S.-Mexican Border Economic problem it is necessary to at least, in passing, touch upon many factors that have created this condition. The undersigned will at least comment briefly, and in detail, when necessary, upon all these factors, in order that this committee may have a basis to study my recommendation. Among the more prevailing factors going towards the economic situation along the U.S.-Mexican Border and pertaining to the peso devaluation are the problems of illegal aliens and how that affects schooling, indigent care, jails, crime, labor and displaced workers. Likewise, in this particular area of Cameron County, Texas, attention must be paid to the terrible problem that the shrimpers are having, natural disasters such as tornadoes and floods, the demise of international shipping, the problems of the farmer and the lack of cotton and grain market, international bridges and the lack of said bridges, and the necessity for new additions to present bridges, as well as the construction of new bridges, the twin plant concept, tourism, both from Mexico and from the interior of the United States of America, have to be touched upon also. Additionally, a comment must be made upon the general recession which this part of Texas is presently laboring under and which obviously is affected by the high prices of food, medical, insurance, and gasoline costs.

In speaking about the enormous problem of the illegal aliens and how it has affected the economy on the border, you have to take into consideration

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that in all probability we have in this area a greater problem involving illegal aliens than in other parts of the country due to the proximity of the border. In addition to the problem of the illegal alien from Mexico, we are probably getting an influx of those unfortunate people coming from Central American Countries such as San Salvador and Guatemala. There is no way to estimate the number of illegal aliens residing in this area, but the undersigned estimates that it is considerable and that it affects schooling, indigent care, welfare and other facets of our society. The undersigned feels strongly in favor of the Simpson-Mazzolli Bill and would encourage this committee to recommend its passage. The argument provided by some of the opponents to this bill, said opposition being based upon the fact that the immigration authorities will discriminate against Mexican Americans, is unsound because that can be remedied readily by an interoffice memorandum requiring immigration officers to check the citizenship of all the residents in the area on the occasion. There is, in my opinion, no other way that we can begin to curve the entry of aliens illegally into the country until we establish the status of the people residing here at the present time, legally and illegally and sanctions upon employers is an absolute must. There simply isn't any other solution to the problem.

It is believed by the undersigned that more than half of the people presently receiving indigent care for medical purposes are illegal aliens. Unfortunately, because of their status, upon getting sick, the illegal alien will let a simple illness become aggravated until it becomes a serious medical problem because of fear of reporting their illegal status. Likewise, because of recent federal court decisions, local schools in the Brownsville area have been burdened with the additional expense of educating illegal aliens. It is

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believed by the undersigned that the coming October budget for Cameron County to at least begin addressing the indigent care problem will have to be raised between one-half million dollars and one million dollars. The school districts, particularly in the Brownsville area, will by necessity have to receive some type of federal aid to educate the children of illegal aliens as well as illegal aliens. Some program is necessary to provide for the medical needs of the many aliens receiving indigent care benefits from the county.

The demise of the international shipping from the Port of Brownsville struck a terrifying blow to this industry. Because of the instability of the Mexican economy, the undersigned does not have a recommendation. It is hoped that any program that the federal government may eventually initiate in attempting to establish new jobs for the people of Mexico will aid in the recovery of the shipping industry from the Port of Brownsville into Mexico.

It is felt by the undersigned that in the field of education, the answer to the unskilled and semi-skilled worker is vocational education. There exists in Cameron County several educational agencies that can provide these programs but because of the high rate of unemployment, and because of the fact that the unemployment has existed for so long, any program such as proposed by the present Jobs Partnership Training Act would not answer the rehabilitation of displaced workers because many of these workers have used up their unemployment benefits and the programs presently being utilized under J.P.T.A. require that the worker be receiving benefits while in training. Some program must come forward to provide a stipend for the trainee during this period of time, but basically these programs of training displaced workers and finding a job for them ahead of time are very, very sound

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and our country is heading in the right direction.

The Simpson=Mazzolli Bill will stabilize the illegal alien problem to a great extent. Those aliens holding jobs which would normally be available to legal residents, by departing the U.S., would alleviate the lack of jobs locally.

The adverse situation now existing along the border has worsened since January of 1983. There appears no rainbow over the immediate horizon for this part of the country. The efforts by the U.S. Government in the past months, if any, have been ineffective. Attention must be given, post hence, to the creation of new jobs re-training of displaced workers, and to secure some method to re-establish the influx of Mexican tourists coming to this area to vacation and to shop. As to the near disappearance of the shrimping industry, the writer feels very strongly, that if Mexico is not going to harvest its shrimp crop, that our State Department should immediately establish a policy or treaty with the Mexican Government under which American shrimpers would be allowed to work Mexican waters but deliver their catch to Mexican ports, where either American or Mexican plants would be available to process their catch. Please take into consideration that such a plan would involve literally millions and millions of dollars which would be pumped into the dead Mexican economy and help the sagging American economy.

The proposition of additional international bridges or additions to existing bridges, at least in Cameron County, would have the effect of opening the gates for more Americans to travel across the border, to dine or shop. At the present time, even though the traffic of pedestrians is down, many do not go across because of a bottleneck which makes a traveler coming into the U.S. to wait, at times, for hours to cross the bridge. The undersigned

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strongly recommends that the Federal Government consent as rapidly as possible, to the construction of additional spans as well as new bridges. The reasoning is that new bridges, possibly in the near future, may be necessary for military purposes, let alone for economic purposes. The writer points out that Cameron County is the Gateway to the United States from the East. It is strongly felt that most problems surfacing in Central America and South America, will have an adverse effect on Cameron County before it affects the balance of the country. It is strongly recommended that if new bridges or spans are secured, that the Federal Government provide the necessary personnel from U.S. Customs and Immigration Departments, to properly staff the checkpoints, in order to insure a smooth operation.

When we speak of the closing of approximately 200 shops, stores and businesses on the border, we are necessarily relating to a total of 1,500 to 2,500 people being affected as we would figure an average of from 7 to 15 employees per business. Then equating the loss of purchase power and the allied businesses affected, the closure of said establishments is very, very far reaching. An attempt by the Federal Government has been made to assist these businessmen through S.B.A. loans. However, this is not the answer. These border businessmen who were relying on Mexican trade, and who have not folded, need a moratorium on their debts. Some few, set aside money for a rainy day. Those are the survivors but unfortunately, the rain began falling and has continued to fall. By establishing a moratorium, and by providing some type of aid to Mexico, designed to create jobs, there is a possibility, that given a period of time, if our economy as a whole, reacts upwards, these businessmen may survive.

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In addition to all of these depressive statistics, employment in established industries such as Marathon LeTourneau, Union Carbide and others, has declined to the point of shutting down, putting literally thousands of employees out of work. Unemployed skilled workers have flooded the area, most still "hanging on" by drawing unemployment benefits.

In closing, it appears to be inevitable that the U. S. Government must stimulate their economy and must create jobs for Mexican citizens. It is hoped that this and, combined with a good possibility that the present Mexican administration might be sincerely interested in bringing a halt to the enormous graft and corruption in their government, would lead Mexico to regaining some degree of economic stability. Upon straightening out their economy, this would then restore the trade, which is presently gone, along all of the border of Texas. The reason Mexicans shop in the U.S. is because of better prices and superior manufactured merchandise.

With relation to the aid to be provided to Mexico, being of the same cultural background as they, it must be approached in a polite manner, deplomatically and tactfully. Thus, it would appear that the U. S. Government must induce American businessmen to invest in factories or businesses in Mexico. Obviously, our government would have to guarantee the investment of our businessmen in Mexico, but in my opinion, this would be much better than a direct grant of money to Mexico. This follows right along with the twin plant concept presently operating along the border, successfully.

In the event that this concept or one similar were to be put into effect, it would be advisable that a special committee be appointed to study the plan. Contrary to recent appointments of committee members, an abundance of prominent Spanish speaking politicians, statesmen and businessmen, should be named. The knowledge of economic conditions on the border, together with knowledge of the language, and an understanding of the culture, would greatly enhance the value of such a committee.

Thank you very much.

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EXHIBIT 1

SALES TAX INFORMATION

BROWNSVILLE, TEXAS

CITY SALES AND USE TAX ALLOCATION

TOTAL BY YEAR

1970	845,095.38
1971	969,697.21
1972	1,066,783.34
1973	1,305,730.04
1974	1,642,110.01
1975	1,865,440.61
1976	2,257,478.62
1977	2,088,799.55
1978	2,444,536.35
1979	2,856,731.41
1980	3,816,531.14
1981	5,015,484.84

COMPARISON BY MONTH

	1981	1982	% CHANGE	1983
JANUARY	225,734.33	259,921.19	13.15%	135,141.69
FEBRUARY	705,440.12	837,537.47	15.77%	559,449.26
MARCH	275,296.75	432,174.84	36.30%	138,372.78
APRIL	166,957.35	224,262.12	25.55%	142,104.78
MAY	725,434.30	691,582.45	(4.67%)	
JUNE	196,540.00*	200,957.87	2.20%	
JULY	225,730.00*	217,614.85	(3.60%)	
AUGUST	774,478.23	636,811.20	(17.78%)	
SEPTEMBER	324,512.02	296,664.02		
OCTOBER	285,500.09	166,024.02		
November	825,487.72	553,072.54		
DECEMBER	304,184.84	208,303.45		
Yearly Total	5,015,484.84	4,724,926.14		

YEAR TO DATE: 43% DECREASE 1802,468.52
3,169,067.80

Source: City of Brv'll.- Finance Dept.

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CITY OF BROWNSVILLE

ANALYSIS OF SALES TAX

COLLECTIONS SINCE FEBRUARY 1982

PERIOD	$$$ AMOUNT	INCREASE (DECREASE) FROM PREVIOUS PERIOD	INCREASE (DECREASE) FROM PREVIOUS PERIOD
February 81	705,440		
February 82	837,537	132,097	18.72%
March 81	275,297		
March 82	432,175	156,878	56.98%
April 81	166,957		
April 82	224,262	57,305	34.32%
May 81	725,668		
May 82	691,582	(34,086)	(4.68%)
June 81	196,540		
June 82	200,958	4,418	2.25%
July 81	225,730		
July 82	217,615	(8,115)	(3.59%)
August 81	754,668		
August 82	636,811	(117,857)	(15.62%)
September 81	324,512		
September 82	296,664	(27,848)	(8.58%)
October 81	285,500		
October 82	166,024	(119,476)	(41.84%)
November 81	825,488		
November 82	553,072	(272,415)	(33.00%)
December 81	304,184		
December 82	208,303	(95,881)	(31.52%)
January 82	259,921		
January 83	135,142	(124,779)	(48.00%)
February 82	837,537		
February 83	559,449	(278,088)	(33.20%)

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CITY OF BROWNSVILLE
ANALYSIS OF SALES TAX
COLLECTIONS SINCE FEBRUARY 1982

PERIOD		$$$ AMOUNT	INCREASE (DECREASE) FROM PREVIOUS PERIOD	INCREASE (DECREASE) FROM PREVIOUS PERIOD
March	1982	432,174.84	(293,802.06)	(67.98%)
March	1983	138,372.78		
April	1982	224,262.12	(82,157.34)	(36.63%)
April	1983	142,104.78		
May	1982	691,582.45	(293,600.11)	(42.45%)
May	1983	397,982.34		

EXHIBIT 2

CAMERON COUNTY INTERNATIONAL TOLL BRIDGE

P. O. BOX 109
BROWNSVILLE, TEXAS 78520

Louis G Henggeler
MANAGER

12 MOS. PRIOR TO & 12 MOS. FOLLOWING THE PESO DEVALUATION COMPARISON

July 1981 thru June 1982			July 1982 thru June 1983			
hicles	Pedestrians	Income	Vehicles	Pedestrians	Income	Percentage
383,068	198,145	222,691.00	371,049	199,608	214,162.00	- 3.83%
373,607	201,600	218,619.00	342,287	158,001	194,381.00	-11.09
356,689	178,485	208,632.00	306,453	134,951	178,541.00	-14.43
368,848	194,517	219,174.00	331,026	145,846	188,319.00	-14.08
355,267	197,451	211,174.00	291,211	140,202	174,370.00	-17.43
368,055	248,108	223,100.00	303,871	164,576	180,748.00	-18.99
19,706	185,723	205,411.00	289,196	140,049	169,104.00	-17 68
315,910	180,052	184,255.00	277,062	153,707	162,807.00	-11.65
350,730	183,534	207,693.00	324,924	188,797	192,226.00	- 7.45
354,931	176,738	202,056.00	304,957	160,469	184,571.00	- 8.66
363,943	172,927	207,162.00	316,741	155,763	189,374.00	- 7.59
351,099	171,780	204,915.00	310,573	164,707	184,122.00	-10.15
291,853	2,289,060	2,514,882.00	3,769,350	1,896,676	2,212,725.00	
769,350	-1,896,676	-2,212,725.00				
522,503	- 392,384	- 302,157.00				-12.02%

INCREASE

The above losses do not include the five to six percent which we had enjoyed in the past.

Louis G. Henggeler

Louis G. Henggeler, Mgr.

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Senator BENTSEN. Thank you very much, Judge Vela.

I could not help but be interested in your comments about when your family came to south Texas. I must say to my friends from Massachusetts and Virginia that they were laying bricks and building along that Texas border long before they laid the first brick in colonial America. So Western civilization came a long time ago to that part of the country.

I would like to turn now to Congressman Scheuer—I don't want him to have to wait on me—and ask him to proceed on any question he might have.

Representative SCHEUER. Thank you very much, Mr. Vice Chairman.

I was not born on the border, but in 1939 I worked in Anajedo in a community right outside of Torreon, called San Jose de Vinera, for the American Friends Service Committee. I developed a great love for the country of Mexico, and I think all Americans feel a certain sense of pain and suffering with the travail the Mexican people and the Mexican Government are going through now.

Several of you mentioned the Simpson-Mazzoli bill. Let me ask you a question or two about that. One of the problems that concerns some of us in the House, and I suppose in the Senate, too, is the likelihood of what would happen if that bill becomes law.

Our southern border is very porous. To all intents and purposes we have an open border between ourselves and Mexico. Once legalization or amnesty becomes a looming fact—and it is perceived as coming very soon—that could very well stimulate an explosion of additional illegal border crossings by those who would wish to come to this country—as I suppose all of us or our ancestors came to this country—in search of a better way of life.

Does it concern you that many of the people south of the border—not only Mexicans but other Latin Americans as well—once they perceive the question of normalization or legalization as a fact or a near fact, would simply crash through to the United States? The strain on our already pitifully inadequate border security would become even more of a joke than it is now and there would be rampant, virtually unimpeded illegal crossings by perhaps hundreds of thousands or millions of people?

Judge VELA. I will try to answer the question. I think this country has to start someplace. We have to say "OK, starting September 1, 1983, we are going to necessarily, in order to enforce amnesty in such a bill, have to place sanctions on the employers."

This is my opinion only, Representative Scheuer. I do not think there is any other way that you can do it. I look back at my mother who was born in Monterrey, married my father and came to the United States. Before she died in 1947 became a citizen. She had her little card and my father was bookkeeper and used to get these cards for people. They had at one time, they went through this procedure in this country, and I know there is a fear that there are going to be people in other countries that are going to starve to death because they cannot come here, like so many other people that have come to the United States.

I think that hand in hand our hopes here, or at this table, are that the United States will help Mexico create jobs, and you have to take

one thing into consideration, sir. You said you had worked in Torreon; is that right? Did not you say you had worked——

Representative SCHEUER. Just outside of Torreon, a little community called San Jose de Vinera.

Judge VELA. You know as well as I do, sir, that the people of Mexico are proud people. The great majority of these people would remain in Mexico. They love their heritage, they love their culture, they have the Virgin of Guadalupe, they have the customs and whatever you want to call it, and they come here as a matter of necessity.

Creating jobs you are going to find, sir, would keep most of those people there. That is my answer.

Representative SCHEUER. I agree with you wholeheartedly, and I think as a moral matter our country simple cannot take the position that "we do not want your people in this country and we do not want the products of your people's industry in our country."

It seems to me that for our country to have a morally sustainable and justifiable position, we should say, "Look, every country has to have secure borders, every country has to have rational immigration policies. We already take two-thirds of all immigrants globally who cross transnational borders. We already take a goodly number of Mexicans legally, and what we simply want to do is eliminate the illegal immigration problem."

"We can take a fair, decent, and humanitarian level of legal immigration from Mexico across the border." But there are limits to our absorbtive capacity. We think we have a special relationship between the United States and Mexico. "Our border is the only place on God's green Earth where a developing country sits cheek to jowl with a developed country, with a 2,450-mile undefended border between them; that means we have a special relationship and we ought to provide access to our markets for your industrious people, your agricultural products, and your industrial products as well."

I would favor some kind of preferred access to American markets to the product of American labor, and I would prefer all kinds of programs that you talk about including tax credit, tax assistance, and so forth, to industries on the other side of the border to encourage the addition of Mexican labor to products that come into our country.

Now that is a difficult position for me to sustain politically. My labor union people are outraged at the treaty we are signing with mainland China, the textile agreement. And the textile manufacturers in today's New York Times are weeping bitter tears about the impact that treaty will have.

So, I have no doubt that there will be similar complaints from American industry about the competition that this will provide, about low-paid labor and so forth, but I do feel we have a special relationship with Mexico on a number of different levels. And, I think whatever price we have to pay is a price that we will just have to endure—we must pull in our belts, and pay as a matter of good hemispheric citizenship.

We cannot say, "We do not want to provide your people with jobs here and we do not want to assist in providing your people with jobs in Mexico either."

That is a morally unsustainable position, I think. So I agree with you that we have to do more in terms of assisting the Mexican economy in various ways, in assisting enterprise on the other side of the border.

I would like to see that aid limited—as I would like to see our Caribbean Basin program limited—to labor-intensive jobs creating enterprises.

What is the point of our giving all kinds of assistance to high technology, capital-intensive enterprises across the border that produce comparatively little in the way of employment? What we are trying to do is help employ Mexicans, give them the pride and the independence that comes with employment and the free choice to either stay in their own country or go someplace else, knowing either way that they are going to have a paycheck in their jeans every 2 weeks or every month.

So I substantially agree with the position you have taken. I would like to hear if any of the rest of you have a reaction to the Simpson-Mazzoli bill and whether you think that the passage of the Simpson-Mazzoli bill with the normalization or the legalization that it carries would threaten your communities, your border communities, with significant increases of illegal immigration.

Judge O'ROURKE. Congressman, if you look at the geography of the El Paso-Juarez area, we sit in the middle of the great Chihuahua Desert and if you go south of Juarez, with the exception of Chihuahua City, you are in one of the great deserts of the world, and we are isolated.

But if General Motors or Ford or Chrysler or American Motors chooses to go into the Juarez area with a twin plant, wire-harness operation for example, by the time that word filters into central Mexico into the small communities and villages, what might be a hundred jobs will have the impact of bringing 5,000 to 10,000 new persons to the Juarez area to seek those jobs.

One of the great ways to make money in Juarez is to sell water by the quart, by the liter, because there is no water system, there is no sanitation system. They have so overburdened the natural resources of the area, much less the distribution system of Juarez, much longer it is not going to be able to produce effective results.

The real fear is if this country does not take a most aggressive posture—and I am a Democrat; if our brother Democrats and those of us that have close labor ties—labor has to come of age and realize that to create those jobs in Mexico posthaste, it will protect American jobs to a greater degree, but even worse so, if we do not take those steps, if that very fragile border economy fails for an instant, a day or 2 days, you are going to have hundreds of thousands of people streaming across that border. And they are not going to stop at El Paso, they are not going to stop at Albuquerque, they are going to go to the Chicagos and New Yorks, where as you well know most illegal aliens would hope to get because the wage level is so good.

I would hope we would be most aggressive. I saw Senator Bentsen's comments, I believe, day before yesterday, about an increased use of social security cards that was not capable of being reproduced in any way.

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We have an asset in our community which is the young Mexican-American; like a product of the valley. For many years that product was wasted. That product is now well educated, that product is aggressive and is ready to contribute, and we do not want to blunt that Americanism that those folks have.

But at the same time if we do not address the jobs and the control in some fashion, be it Simpson-Mazzoli, be it a Marshall plan for Mexico, I do not know what it is, we are going to be so close to a situation that once it becomes as volatile as it can be will be irreversible. And it would be the saddest of things to allow to come to pass.

Mr. DUFFEY. Congressman Scheuer, given the fact of Simpson-Mazzoli or some sort of bill to restrain against your question of what happens if we have this bill, will we have a large influx—at least we have established a cutoff point and just somehow we have to regulate, or begin to regulate in some legal manner the influx.

There is just not hope for us if we are not able to do that.

Representative SCHEUER. I put in an amendment last year to the Simpson-Mazzoli bill when we were hoping it would be considered by the House.

That amendment would have deferred the effective date of amnesty or legalization until such point as there was a certification by some objective source, perhaps the Attorney General, that our borders were viable and secure.

Not totally secure, we will never be able to hermetically seal them and I do not suppose we would want to if we could, but that they were reasonably secure. That proposal is based on the assumption that secure borders are an element of nationhood, an element of sovereignty, and that they should not be open borders such as we now have. I will put in an amendment this year. I would be interested in hearing anyone's reactions to that proposal.

Mr. MORTON. It is a perplexing problem. Living along the border you drive along there on a hot day and you see children playing in the river which is the border. Then if a person happens to go out into the more desert areas and ride along the New Mexico-Mexico border and you see just vast distances with the barbed-wire fence as the border, there is no way we are going to have it hermetically sealed. It is just impossible to do.

I believe at this point the most effective means of controlling this is sanctions against employers who hire undocumented workers. As Judge Vela says, to stop the flow across the river when on one side of the river there is no water, no sanitary sewers, and across the river is like going to heaven for some of these people, you are not going to stop them from coming across.

But if you can make it tough on those people who put them to work, that is a good step.

Representative SCHEUER. I support sanctions 100 percent. I agree with you.

Judge VELA. We are talking about, as I understand, sir, trying to make our borders secure to the influx of people and at the same time have amnesty and so forth.

What is the quota for people coming from Mexico, the immigration quota? Is there a limit to it?

Senator BENTSEN. Oh, yes; there is a limit.

Judge VELA. Yes, there is a limit. It is not a nonquota country. OK, what would be wrong with considering a nonquota country being very particular hand in hand with the Simpson-Mazzoli bill and sanctions against employers going hand in hand with one thing behind another thing, behind another thing, to where maybe we could control it through the consular processes? It is just a thought that I had.

Representative SCHEUER. Thank you, Mr. Vice Chairman.

Senator BENTSEN. Thank you very much. I am very much for Simpson-Mazzoli and have supported it, spoken for it, voted for it.

I think you have to have, as much as you can get it, a noncounterfeitable social security card, so the employer can comply in an easy manner to determine whether a person is legally in the country or not.

I think you are going to have to have the amnesty provision because you have a lot of people already here who have successfully stayed here for a substantial period of time.

And in addition, amnesty in this country is not a new approach. It has been tried in the past. I think if it is dated back to a date in the past, that it becomes workable. And then if you put a penalty on the employer, it should help stop the problem of a great influx of aliens coming in subsequent to the date.

I could not help but think, Judge Vela, as you made your comment about shortening your speech, of one of the last times I saw you in Brownsville. I was scheduled for a speech, and you met me along with what looked like the whole police department of Brownsville to advise me that some character said he was going to take a shot at me. You asked me if I was going to do my speech anyway and I said: "Yes, but it will be one of the shortest speeches you have ever heard in your life." [Laughter.]

Judge VELA. It worked, sir.

Senator BENTSEN. Yes, we did it. You know, we have tried to help you deal with the impact of the flood of Mexican nationals seeking jobs. I have done business with principals along the border, particularly in Brownsville, where they were talking about building a schoolroom once a week for a while there to meet exploding student populations.

I passed a bill through the Senate last year that would provide Federal assistance to areas facing those kinds of problems. I have passed it again through the Environmental and Public Works Committee this year. Senator Tower is going to cosponsor that. I, in turn, have cosponsored his bill, worked up with the Texas Education Agency, to provide assistance to those school districts where they have illegal aliens.

Those soaring school populations are things that were the fault of U.S. immigration policy—Federal policy, not local policy. Therefore, I think there is a certain justification in providing Federal assistance to deal with them.

The twin-plant concept is another plus, I think. What we have seen thus far is mutually beneficial to both sides of the border. And I am convinced that if U.S. industry does not locate there, it will locate in Taiwan or some other place anyway, where we do not have any kind of

benefit. So encouraging firms to locate along the border in Mexico is not costing us jobs—more will be lost if the firm goes elsewhere.

Part of the problem that we have in Texas is that you run into a situation where Laredo will have a 27.2-percent unemployment rate, the highest in the Nation, and the Bryan-College Station SMSA will have the lowest. Yet, we have an average unemployment rate statewide that is lower than the national average. So we lose some funding under job allocation and education allocation formulas despite having localities and regions with astronomical unemployment rates. And if a fellow is out of work in Laredo, Tex., he is just as broke and has just as much of a problem and deserves help in finding another job just as much as someone in Akron and other areas in States with high unemployment averages and more jobs funding.

Therefore, it is important that we focus attention on the great diversity of a State such as ours—the disparities in those areas of massive unemployment—and see that they are addressed just as much as they are in any other part of the country. We will work very hard to try to bring that about.

I appreciate the fact that you four gentlemen have helped highlight those points for us for the hearing record. I would like to ask you some specific questions concerning your testimony.

Turning to the twin-plant concept again. Have you seen an increase or decrease in the number of plants? What is happening to them in this crisis?

Mr. MORTON. They are increasing, Senator.

Senator BENTSEN. Are they adding to or taking away from U.S. jobs along the border?

Mr. MORTON. Well, as a plant, say, a new company comes to Juarez and puts the plant in, either they will use facilities on the U.S. side, thus increasing employment on the U.S. side additionally, or they will put in their own twin-plant facility; 3,500 jobs in El Paso were created by the 130 twin plants in Juarez.

Now, they are increasing as the peso devaluation causes a lower wage scale by U.S. plants coming in to Juarez. So they are increasing. They do create jobs on the Texas side.

Judge VELA. Could I ask him a question, Senator?

What has been the effect of Mexican labor unions as far as Americans going into these twin-plant concepts? What has been the overall effect of that? Is it as much a problem over there as it is here?

Mr. MORTON. I do not see evidence that they are causing problems. You know, 43,000 jobs provided to Mexicans compared to 3,500 jobs being offered or created for Americans. I do not see a problem. I think they can see the economics of that.

Senator BENTSEN. Mr. Morton, you also talked about educating additional Mexican students at U.S. border colleges. Several years ago I helped establish Federal support for Co-Step. That is a program that has provided something in excess of $50 million in loans to 15,000 students in south Texas colleges. That program has worked well.

You said a positive step would be to encourage more Mexican nationals to attend such schools. What are you speaking of in the way of such incentives? Do you have vacancy slots in those border colleges?

Mr. MORTON. The college in El Paso, the University of Texas at El Paso, 2 years ago it had 700 Mexican nationals as students. That

dropped 1 year ago to 500, and it has increased now to 600. That 700 is the most of any college in the United States. Off the top of my head, I think the first step would be to make the tuition lower than what the normal tuition is for an out-of-State student. And the reason for that is, it is a long-range program designed to educate people who are closer to those colleges than they are maybe to another Mexican college and then get them back into the Mexican labor force.

Senator BENTSEN. Thank you. These unemployment figures you have given us are really quite disturbing. I notice you talked about 7,000 jobs lost just in Brownsville, people that went out of work between January 1982 and May 1983. And one of the answers, it seems to me, is to attract new industry by targeting more job training to the border area.

One of the things we found is that you cannot readily move unemployed men and women from the border. I can recall one of the programs where they tried to bring people up from Roma, Starr County, Hidalgo County, and Cameron County, to Dallas-Fort Worth. Less than 6 percent stayed. Back they would go because particularly among the Hispanic, they found that family ties are extremely close and meaningful; they want to stay with their extended families.

So it seems to me the $125 million that was made available under title III of the New Jobs Training Partnership Act for retraining experienced workers where they now live can be of great help. You will recall that CETA was targeted largely at the economically disadvantaged, while title III is targeted at the displaced worker.

Have you county judges had any actual experience with JTP programs yet?

Judge VELA. I happen to be on the Texas Job Training Council with another 30 or 40 people over the State. Like I told you before, I think it is the answer in the long run. It is a problem, Senator Bentsen and Congressman Scheuer, because under these programs, you do not have a payment made to the trainee during the time he is taking the training. The program is set up. We try to catch a guy that goes on unemployment and for those 4 or 5 months that he is receiving unemployment benefits you try train him at that time.

That is the only experience we have had in Texas at this time is displaced workers. We are trying, like these are coming off Marathon-LeTourneau, we are trying to look for another company that is progressive in the area, and if they need 40 or 50 people, you have to get a contract between all of these parties and the county indirectly, what we call the OJT. Anyhow, it is between three parties, and you have to do all this ahead of time. You have to find a place to put them into before you start training them.

Again, I repeat to you, I think it is the answer to the problem. But it caught us at a time when we have so much other areas in the valley that are related directly to peso devaluation, I think eliminating the peso devaluation in the valley in these programs——

Mr. DUFFEY. Our great problem, Senator, is the jobs to train them for.

Senator BENTSEN. Several of you are making the comment about what has happened to housing. You have had many purchases made during the 1970's by Mexican nationals, especially in areas like Padre Island.

Mr. DUFFEY. They were going to repurchase Texas a house at a time.

Senator BENTSEN. So you have seen a great many purchases by Mexican nationals. Yet, now with the problem of their getting capital out of the country, there are a lot of defaults, I would assume.

Mr. DUFFEY. Yes, sir.

Senator BENTSEN. What is happening in the way of assumption of those properties which have been foreclosed?

Mr. DUFFEY. We have right now in Brownsville, Senator, more vacant apartments, vacant condominiums, vacant homes, than I can remember. And I have been in Brownsville since 1937 and chairman of our bank for the last 12 years. Some local people are buying up houses that default, obviously. On the island a lot of people from Houston, Dallas, Fort Worth, San Antonio are buying condominiums on the island at somewhat depressed prices. I would say not giveaway prices, but certainly depressed from what they were.

I think long term the assumption of those condominiums and apartments by people from Texas and from the United States is going to be very helpful to our area because it should be a more stable market and create a much more solid base to build on.

As far as the housing situation with the Union Carbide, they have some arrangement with Merrill Lynch as they do when their employees are laid off, when they move to a new place. We have a number of friends who had their houses on the market in Brownsville for as much as 6 months without one person looking at that house to buy it, if you can imagine that. That is a very common thing. Merrill Lynch is going to end up with most of the houses for Carbide of those people because there are no buyers in our market right now.

Senator BENTSEN. Mr. Duffey, I recall that happening to Harlingen, Tex., when they moved the air base. A very aggressive campaign was made to sell those houses to people from the North buying them as second homes; that ultimately worked out well, I think.

Mr. DUFFEY. That is our hope. That is what we are working on right now, Senator. I think that long term will be great for Brownsville, as it has been wonderful for Harlingen.

Let me comment a moment on the twin-plant situation in Brownsville, which is a little bit different. As I commented, the twin-plant employment in Brownsville and Matamoros got down to about 10,000. Some people say it is back up to 15,000, which was the peak before. But where Tijuana has had a 29-percent increase in the number of twin plants; Juarez, 45 new plants right now are projected; Rio Noso, 30 percent, we actually had a decrease of 19 in Brownsville and Matamoros, because the Matamoros labor boss has been much tougher to deal with for the American companies and they found the labor unions in Juarez in particular much more receptive and the cost of an average day employee in Matamoros is about 50 percent greater for that same employee than a plant in El Paso.

So the twin-plant situation is good for us. But we have another situation that you really cannot interface, of personality involved in Mexico. We think long range that could be a very, very good thing for us. But the logistics of a twin plant in Brownsville has less desirable factors than the logistics of the distance to markets from products made in Juarez and El Paso.

So we have some special problems in our area in the twin plants. We hope it will increase, but we really think that tourism and leisure is the direction that we must take.

Senator BENTSEN. Let me talk to you for just a moment about UDAG because each of you seem to view it as a long-term economic solution that is important for the border area. I can understand that. The Federal agency most directly involved with economic development is UDAG's program at HUD which receives $440 million annually to disperse across the Nation to spark economic development.

It seems to me that UDAG could play a major role in helping the border economy. For example, the administration could set aside funds for economic disasters like the peso devaluation. And, it could ease the current requirement that each Federal dollar be matched by $2.50 from some other source to a lower match of perhaps 1:1.

Would Brownsville or El Paso be able to put some development efforts together if the administration eased the matching requirements for UDAG projects to 1:1? Are there private investors, in spite of some of these concerns that you have cited, who have enough confidence in the future there to put investment dollars into the border region? A related question involves you bankers, Mr. Duffey, Mr. Morton. You have been telling me how much capital you have. You have talked about a lot of Mexican money which is on deposit. Would you gentlemen have the confidence in your area to invest some of that capital if the matching requirements for UDAG grants were lessened?

Mr. DUFFEY. Absolutely, Senator. We are in a position, as I said, we are an extremely liquid position, as are most of the larger banks in Cameron County. We are in a position to support any program that would bring jobs and bring a measure of prosperity to Brownsville.

Also, from the prudent standpoint, we must look to projects that have economic viability. Therein lies the difficulty. I think the judge said it so eloquently, for the SBA to loan money to someone with a store who is doing 25 percent of what he was doing 2 years ago is throwing money away. For the SBA to make adjustments as they have made, just countless adjustments and changed payment schedules for us and for our customers, very beneficial, it has been very beneficial to the area.

But, yes, we do have money for development, and we are ready.

Mr. MORTON. I would agree with Mr. Duffey, Senator, if money were made more available. Right now there is a new hotel being built in El Paso. There is a new office building. We are talking about downtown, old buildings being renovated.

Under the UDAG program, if money were made more available, Mexico, with its problems, still is an attraction to the average American who has not had exposure to Mexico. There are still tourists that come to the sun belt. El Paso draws those tourists. It is a regional center, and if there were money made available, there are people in El Paso and in that region that would be willing to put up their capital. The banks would certainly be willing to back that.

Senator BENTSEN. Let me talk about one of the frictions we see between Mexican truckers and U.S. truckers. U.S. truckers certainly complain about having to offload when they get to that border and let Mexican truckers go ahead and take their shipments the rest of the

way. Yet, on the other side of it, we give free access to their truckers coming in who have ICC permits to go wherever in the United States they want to go.

Where is the equity in that? What do you think can be done to try to get equal treatment on both sides?

Mr. DUFFEY. My understanding, Senator, was that those truckers in our area can only go as far as the border, certain special places. I do not believe they can go past certain points.

Am I correct in that?

Senator BENTSEN. That is correct. Some of them have to offload right there at the border.

Mr. DUFFEY. The U.S. truckers have to offload right at the border, but the Mexican truckers are allowed to go to the Port of Brownsville.

Senator BENTSEN. There is no equity in that, it looks like to me.

Judge O'ROURKE. As you point out, Senator, there is no equity in that, but I think there would be great harm if our posture were to become as restrictive as is Mexico's on the border. It would behoove all of us if we would attempt, as your good friend Judge Travis Johnson has attempted, to work with the political and business leaders on the Mexican border to attempt to alleviate that from the Mexican side.

Senator BENTSEN. Judge, I agree with that. There is also, you know, an international trade situation where Mexico is extremely protective with licensing agreements rather than tariffs. They refuse to enter GATT insofar as international trading requirements, with the result that this kind of excess protectionism has added to their inflation, to the cost of living of their people.

The period of protectionism has been substantial for specific industries, and has gone far beyond the point of just giving them a base to build up sales. Such extended protection prevents their becoming competitive, and that works finally to the negative interests of the country itself.

I also recall about 5 or 6 years ago when I argued as strongly as I could with Mexican officials that they should not put the billions they were putting into capital intensive industries. I urged them to focus on labor intensive ones. I told them I, for one, would be very happy to work, and gain cosponsors with other Senators here who are of a like mind, to put up matching funds for long-term bonds to finance labor intensive industry in about five or six of the Mexican States where most of the illegals come from, where they have the highest levels of unemployment.

But at that time Mexico would have none of it. They wanted no such participation.

Mr. DUFFEY. Senator, I would certainly hate for us at this time to go to the mat with Mexico on offlloading and reciprocal licensing and that sort of thing.

Senator BENTSEN. Mr. Duffey, I well understand the timing, and I am only speaking out of frustration.

Mr. DUFFEY. I realize that.

Senator BENTSEN. But for the long run, to the extent that we can work with them to do away with these differences and encourage the elimination of those kinds of constraints, the better it will be for both sides.

Mr. DUFFEY. I think you are looking at the underdeveloped economy, and I think you are looking at a real fear that they have, if you had reciprocal licensing that they would really be taken over.

Senator BENTSEN. Mr. Duffey, I have just had a whole group of Mexican business officials in. They, along with American business officials, are working to try to cut out some of the mercurial behavior we have had on the part of the Mexican Government on trade. They want a situation where business people on both sides could have some stability, something they could count on, on what the rules were.

If we can get that, it will help create jobs on both sides. It will improve the economy of the area substantially.

Any other comments? [No response.]

Gentlemen, I am very appreciative of your attendance and your testimony this morning. You have been most helpful in adding to the record we are trying to develop to deal with the border economic situation.

Thank you. The subcommittee stands adjourned.

[Whereupon, at 11:45 a.m., the subcommittee adjourned, subject to the call of the Chair.]

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